

STATEMENT OF ANTHONY J. PRINCIPI

SECRETARY

DEPARTMENT OF VETERANS AFFAIRS

BEFORE THE HOUSE COMMITTEE ON VETERANS' AFFAIRS

SUBCOMMITTEE ON BENEFITS

JUNE 7, 2001

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify today on H.R. 1291, the "21st Century Montgomery GI Bill Enhancement Act," which would increase the educational assistance allowance payable under the Montgomery GI Bill (MGIB) – a program that has proven so very effective in reintegrating veterans into civilian life.

More particularly, this bill would provide stepped education benefit rate increases under the MGIB for Fiscal Years 2002 through 2004. Participants whose qualifying obligated period of active duty is three or more years would receive full-time monthly benefits of \$800 for 2002, \$950 for 2003, and \$1,100 for 2004. Participants whose qualifying obligated period of service is less than three years would receive monthly benefits of \$650 for 2002, \$772 for 2003, and \$894 for 2004 while pursuing a full-time program. Proportionately lesser amounts would be payable for less than full-time training.

This measure, further, would suspend the statutory annual adjustment in MGIB rates based on the Consumer Price Index (CPI) beginning in Fiscal Year 2002 and would reinstate that adjustment beginning in Fiscal Year 2005.

The President strongly supports the MGIB benefits program and acknowledges its great importance to veterans and the Nation. The President's FY 2002 Budget includes the annual cost-of-living increase for education benefits for veterans and service members, but does not include an additional MGIB benefit increase. However, the President would support improvements to the program such as are provided by H.R. 1291 if they can be accommodated within the overall budget limits agreed to by the President and Congress.

Within that budget framework, an improvement we believe also merits consideration would be to incorporate into the MGIB authority to accelerate payment of benefits. For example, many educational and training programs, including technical certification programs such as those

offered by Microsoft, Cisco, and others, are of extremely high cost, but short duration. Under the current benefit payment method, an individual may receive \$650 to \$1300 in monthly MGIB benefits for a program of a few months' duration that costs \$5000 to \$10,000, or more. Plainly, in such a case, the benefit pay-out is not structured in relation to either course length or costs. Thus, the individual's educational needs when pursuing such short-term, high-cost courses frequently may not be met.

Further, pursuit of a short-term, high-cost course may be essential to secure the individual's employment in his or her chosen vocation or occupation. It also may be the only training he or she intends to pursue. Nevertheless, benefit payment on a monthly basis for such training would deny that individual the full value of his or her earned 36 months of MGIB entitlement for such purpose. This result is inconsistent with the readjustment purposes of the MGIB.

Monthly payment of benefits, too, may often be contrary to the individual's expectations about the accessibility of his or her GI Bill benefits. Despite aggressive advertising and other outreach by both DOD and VA, the misperception unfortunately persists among too many new military recruits that, when they leave service and enroll in school, their MGIB benefits will be available immediately in a lump sum to cover their tuition and fees. Obviously, when this does not occur, great consternation ensues and both VA and DOD are faced with complaints and claims that the recruits were misled. This clearly has a detrimental effect on the value of the MGIB as a recruitment/retention tool.

Mr. Chairman, enactment of H.R. 1291, as drafted, would result in an increase in benefits cost subject to the pay-as-you-go (PAYGO) requirement of the Omnibus Budget Reconciliation Act of 1990. We estimate the measure would result in a cost of approximately \$250 million in FY 2002, a 5-year total of \$3.2 billion over the period FYs 2002 – 2006, and a projected 10-year total of \$8.3 billion over the period FYs 2002 – 2011.

Mr. Chairman, that concludes my testimony. I would be pleased to reply to any questions you or Members of the Subcommittee may have.